

# FY 2003 Work Plan

## Office of Indian Tribal Governments



Tax Exempt Government Entities Division

September 2002

**FY 03**  
**Indian Tribal Governments Work Plan**

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## **PLANNING PROCESS**

### **Overview of ITG**

The office of Indian Tribal Governments was established in FY 2001 as part of the Service's modernization process. The office is responsible for federal tax administration issues relating to the 564 federally recognized Indian tribes. This includes various employment taxes, excise taxes, anti-money laundering statutes, income taxes, and information reporting. ITG is also responsible to ensure that the Service is in compliance with the provisions of various treaty-based rights of Indian tribes, and various Executive Orders that outline the government-to-government relationship that is required for all interactions.

FY 2003 represents the second year of full staffing for ITG. Most infrastructure work and training was completed in FY 2002, and thus, FY 2003 will represent the first full year in which field resources will be fully applied to customer engagement. For FY 2003, ITG implemented a comprehensive planning process to ensure that the Work Plan reflected input from IRS data, customers, and employees.

Responsibility for the development of the Annual Work Plan is vested with the Outreach, Planning, and Review Manager. There is minimal historic data that would provide substantial input into the development of the Work Plan, due to the fact that prior to the establishment of ITG there was no system in place that captured any information regarding compliance issues, or enforcement results relating to Indian Tribal Governments. Reliable AIMS data was not available until recent months, and most FY 2002 Business Results accomplishments were attributable to one-time projects such as the processing of claims from FUTA and gaming excise tax which should not re-occur in FY 2003.

At the start of FY 03, ITG will be staffed at 98% of planned staffing. As a result of attrition, ITG projects that it will complete FY 03 at 95% of planned staffing. This is not anticipated to have any major impact on ITG's ability to meet customer needs, since ITG completed substantial portions of its required start-up activities in FY 01 and FY 02, and can focus its FY 03 actions on front-line activities.

Although there are only 564 federally recognized Indian tribes, the continuing emergence and growth of tribal economies, largely fueled by gaming, requires ITG to interact with over 2000 current tribal entities. Indian tribal governments represent one of the fastest growing segments of the economy, with employment growing by double digits in a recent two-year period.

## Methodology

The Strategic Business Plan identified Trends, Issues, and Problems (TIPs) for FY 2003 at the time of its formulation. The ITG office determined that an accurate Work Plan would require a data-driven approach to help refine the TIP areas into specific areas of focus. This approach would provide additional information on which to actually plan critical work.

To accomplish this objective, ITG embarked on a multiple-stage data collection process, including:

- ✓ a formal analysis of compliance,
- ✓ customer feedback, and
- ✓ employee focus groups and environmental scanning by the field.

A Compliance Initiative was initiated in FY 2001, which utilized generally accepted research methodology to analyze compliance by Indian Tribal Governments. Two ITG employees who had worked in the former Research Division undertook this task. A major component of this effort was an analysis of Master File information that would assist in determining compliance issues that exist on a national scale. This work was repeated in June 2002 and it assisted in determining issues for the FY 2003 Work Plan. It also created new measures that could be contrasted to baseline data from last year to determine compliance trends over time. The Compliance Analysis Report reflected the following issues as being present on a regional or national scale:

- ✓ Anti-Money Laundering Requirements
- ✓ Information Reporting (including withholding on Forms W-2G and per capita distributions from gaming)
- ✓ Tip Reporting Compliance
- ✓ FUTA
- ✓ Employment tax filing and payment compliance

ITG attended and participated in numerous meetings during FY 2002 with tribal groups and trade associations. Although an actual focus group was not held in FY 2002 as in the prior year, anecdotal information was recorded as a means to capture customer concerns. The areas identified through this process include:

- ✓ Anti-Money Laundering Requirements
- ✓ Employment Tax – deposits and penalties
- ✓ Tip Reporting Compliance
- ✓ Tax Incentives for Economic Development

Eight Employee Focus Groups were conducted between June and September 2002 to secure input from the full employee population. The Focus Groups addressed many other areas, but the issues/customer needs identified through this group included:

- ✓ Tip Reporting compliance
- ✓ Employment Tax assistance, with an emphasis on penalty administration
- ✓ Assistance with member issues
- ✓ Gaming issues
- ✓ Per capita distributions (minor trusts, need-based payments, information reporting)
- ✓ Title 31
- ✓ Gaming issues

Thus, the foundation for the formulation of the FY 2003 ITG Work Plan is based on the TIP area, but refined to specific issues through the analysis of IRS data, Customer input, Employee input, and Environmental Scanning. These issues form the basis for the compliance activities to be undertaken in FY 2003. The major areas of emphasis are those that were reflected in the Compliance Analysis, and reinforced through Customer and Employee input. These include Tip Reporting Compliance, Employment Tax Deposits and Penalties, Anti-Money Laundering, and Information Reporting.

Each manager was provided with a summary of the information, and was then charged with the responsibility to utilize the Tribal Compliance Database (that was prepared for the compliance analysis) in order to determine the resources that would be required to address relevant issues with their impacted Tribes in FY 2003. The database allowed them to determine the extent of relevancy for each issue in their area, and to therefore estimate their resource needs by issue. Each manager was also asked to provide projections for administrative time, leave, training, etc., and to provide a narrative supporting all of their time allocations. The resultant input was compiled, and a meeting was held to review the results. The management team worked to align the Work Plan to all of the guidelines.

The data validated the TIPs that had been initially projected for FY 2003, but the data-driven approach utilized allowed ITG to pinpoint specific issues, and to ensure that a balanced approach is planned for outreach and compliance activities.

## **WORK PLAN AREAS**

ITG will support the Tax Exempt and Government Entities (TEGE) Division major strategies and operating priorities for FY 03. These strategies address key challenges we face in delivering top quality service to each customer, top quality service to all customers, and productivity through a quality work environment. These include actions to:

- Understand and Improve Compliance – as detailed below, ITG will continue to utilize employee input, customer input, data analysis, and environmental scanning, to secure a comprehensive knowledge of key compliance issues and causes of noncompliance.
- Meet Customer Needs – as detailed below, ITG will work closely with customers through focus groups and Customer Satisfaction survey analysis to ascertain their needs, as well as to design and deliver mutually agreeable remedies to identified compliance concerns and problems whenever possible.
- Improve Organizational Performance – as detailed below, ITG will implement balanced measures and analyze the results to effect operational enhancements to improve performance
- Improve Knowledge and information Management – as detailed below, ITG will expand its use of data, and fully implement its Stakeholder Relationship database to identify, track, and measure the impact of partnering opportunities. . ITG will also undertake actions to begin the migration of workload controls to PACT and ERCS.
- Build a Highly Qualified and Satisfied Workforce – as detailed below, ITG will continue to train its workforce to ensure that employees have the skills necessary to meet customer needs. ITG will also implement a Knowledge Sharing process that will expand technical skills of the ITG workforce, and will continue its use of the employee survey and ITG employee focus groups to identify opportunities for improvements in employee satisfaction.

### **Budget Activity Code 21, PAC 1C**

This area represents the resources devoted to Pre-filing Education and Assistance, which includes customer education and outreach, direct and indirect assistance, and coordination of assistance actions between ITG and other functions.

### Customer Focus Groups

ITG will continue to utilize a data-driven approach to the identification of compliance needs. This will include the continuation of Employee Focus Groups, Customer Focus Groups, and compliance data analysis. To meet the focus group needs in this area, ITG will devote resources to Activity Code 316.

### Customer Education and Outreach

ITG will undertake a series of activities that will focus on addressing key areas of noncompliance through a combination of targeted outreach, development of new educational products, and conduct of field compliance activities. While focus will be placed on the national and regional issues identified through the research, environmental scanning, and focus groups, local actions will also be supported. For example, each group was offered the opportunity to identify a specific need that was peculiar to their area, and the Work Plan was adjusted to incorporate the staff years required for those local actions. Time expended in administering any such unique education/outreach event will be charged to Activity Code 160.

Outreach will focus on key areas such as implementation of applicable money laundering reporting requirements of the Patriot Act, implementation of Suspicious Activity Reporting requirements, employment tax and information reporting requirements, and tip reporting requirements. ITG will undertake these efforts with individual tribes, trade organizations, and stakeholder groups. Time expended in this area will be charged to Activity Codes 126, 127, and 132-145.

Specific products to be developed during FY 03 will include an Employment Tax Guide for Tribal Governments, a brochure on federal tax incentives that Tribal governments can utilize for marketing business opportunities, and a CD-Rom self-study module on Employment Taxes. In addition, ITG will update Publication 3908, Tax Law for Indian Gaming.

ITG will also aggressively work to upgrade its portion of the [www.irs.gov](http://www.irs.gov) web site.

### Stakeholder Relationship Management

ITG will fully populate its Stakeholder Relationship database and utilize it to identify partnering opportunities, as well as the success of any such efforts.



Stakeholder relationships will be fostered as a mechanism to involve customers in the development of outreach products, and to leverage resources to maximize the benefit of customer education efforts.

### Other Actions

ITG will implement three major activities during FY 03 that are designed to effect operational improvements.

- Balanced Measures - ITG will fully implement the Balanced Measures it developed during FY 02. These measures are designed to determine Employee Satisfaction, Customer Satisfaction, and Business Results. Results of these measures will assist ITG in ensuring that actions undertaken did not adversely impact any of the three areas, and will also assist ITG to identify areas in need of operational improvements in subsequent years.

As part of this process, ITG will fully implement a quality review program that will include review of 100% of all examinations, and a sample review of outreach activities. Time spent in this area will be charged to Activity Code 110.

While the measures being implemented for Employee Satisfaction and Business Results are consistent with measures used by other functions, ITG will implement a Customer Satisfaction Survey that will be unique. FY 03 will be the initial year for an annual survey of the 564 federally recognized tribes to ascertain their level of satisfaction with their relationship with the Service. A third party vendor will administer the actual survey. FY 03 will serve as a baseline year.

- Knowledge Sharing – ITG will implement an internal knowledge sharing process that will focus on enhancing employee technical knowledge. This effort will focus on the transfer of specialized technical knowledge between employees to improve both employee and customer satisfaction.
- Consultation Policy – ITG will undertake meetings throughout the United States with tribal leaders and representatives to assist in the development of a Consultation Policy for involving Indian tribal governments during the development of IRS policies that will impact them. Time expended in this area will be charged to Activity Code 104.

## **Budget Activity Code 37, PAC 7G**

This area represents the resources devoted to Field Compliance Services, which includes compliance checks, return examinations, anti money laundering oversight, research, and requisite support work.

### **Workload Selection**

ITG will continue to refine the workload selection criteria tested during FY02. In addition, through various Memoranda of Understanding and Internal Revenue Manual provisions, ITG will partner with internal stakeholders to assist in workload identification in areas such as excise tax, and anti-money laundering.

Workload selection will be monitored to ensure that key areas identified through environmental scanning, research, and focus groups are addressed, and that the actions being assigned represent the optimal approach to the identified issue. ITG will continue to undertake Compliance Checks as a mechanism to better understand customer needs and identify appropriate remedies to compliance issues. ITG will also conduct examinations as necessary. Time expended in workload selection will be charged to Activity Code 157.

### **Research**

ITG will also continue its annual analysis of federal tax compliance and will expend resources in Activity Codes 181 and 186 to complete the necessary actions.

### **Compliance Focus Areas**

ITG field compliance workload will focus on the following key areas:

- **Employment Tax**  
ITG will address employee vs. independent contractor issues that are identified through the filing of Forms SS-8, compliance checks, or regular workload selection. Time expended in this area will be charged to Activity Codes 187, 464, 465, and 467

ITG will work to address tip income compliance issues within tribal gaming and food service entities. Time expended in this area will be charged to Activity Code 575.

- Federal Unemployment Tax  
ITG will continue to work with SBSE Collection, the Campuses, Government Liaison, and customers to properly administer the FUTA provisions of the Consolidated Appropriations Act of 2000. Time expended in this area will be principally charged to Activity Codes 187 and 940.
- Anti-Money Laundering  
ITG, in concert with the AML staff in SBSE, will undertake actions to ensure that Indian tribal governmental entities subject to Title 31 are properly identified and are fully aware of the requirements of Title 31. ITG will also provide assistance to SBSE as required, in the conduct of any AML examinations involving tribal entities. Time expended in this area will be charged to Activity Codes 509 and 591.
- Information Reporting  
ITG will work with Tribal governments to resolve questions regarding the taxability of distributions to members, including per capita vs. general welfare distributions.

Reporting compliance in the proper filing of Forms 1099 and W-2G will be addressed through field compliance actions, including both compliance checks and examinations.

Time expended in this area will be charged to Activity Codes 187, 470 and 520.

- Gaming Excise Taxes  
ITG will work with SBSE, the Cincinnati campus, and customers to ensure equitable administration of the gaming excise and occupational taxes due on Forms 730 and 11-C, pursuant to the Chickasaw vs. United States Supreme Court decision. ITG will also develop a plan of action to address the potential legislative relief that may be granted to tribes in this area. Time charged to this area will be charged to Activity Codes 197, 198 and 521.

## **TRAINING**

### **Course Number 4300**

Continuing Professional Education will be conducted for 67 ITG Participants at 72 hours each. The course will address changes in anti money laundering statutes, gaming excise taxes, tax exempt bond awareness, public speaking, penalties, work procedures, employment tax changes, and information reporting examination techniques

### **Course Number**

Basic Instructor training will be conducted for two ITG specialists to 80 hours each in order to increase the ITG classroom instructor cadre to seven.

### **Course Number 4237**

RICS Phase I training will be conducted for two OPR staff members at 40 hours each, in order to enhance workload selection capabilities.

### **Course Number 4256**

RICS Phase II training will be conducted for two OPR staff members at 40 hours each, in order to enhance workload selection capabilities.

### **Analyst Training - Course Numbers 9682a through 9682h**

Training will be conducted for 3 analysts in 8 courses of 40 hours each to enhance required skills for their positions. These include:

- 9682a - Getting Started with Project Management
- 9682b - Analytical Skills - Improving Performance
- 9682c - Influencing Skills for Program Analysts
- 9682d - Program Analyst Core Training I
- 9682e - Program Analyst Core Training II
- 9682f - Writing Advantage Skills
- 9682g - Facilitation Skills
- 9682h - Effective Reports, Proposals, and Memoranda

### **Workcenter Training**

Training will be conducted for 44 ITG Specialists, 5 ITG Managers, 5 Management Assistants, and 2 OPR staff members at 40 hours each, in order to learn to utilize the proposed GE Workcenter.

Comprehensive Advanced Access Training for Programmers

Out-service training will be conducted at 40 hours for one OPR analyst to acquire knowledge required to support enhanced MS Access applications being developed within ITG.